

**Some aspects of the current situation in the debt sphere
in the Russian Federation**

Dear Chairman!

Dear members of the Working Group!

I'm delighted to have an opportunity to express some ideas on the current situation in the debt sphere and in the public debt management in the Russian Federation.

The issue which is now widely discussed in Russia is a problem of the efficient management of public finance that also requires formation of the effective management system in the debt sphere.

At the same time we suppose that lack of accepted criteria for assessment of efficiency of the operations with debt instruments and lack of possible target indicators (qualitative and quantitative) of these criteria make this assessment complicated and subjective both for the debt managers and Supreme Audit Institutions.

Meanwhile we believe that the major problem is still the issue of how to define the overall evaluation of efficiency and quality of public debt management.

It seems to us that this problem is urgent not only for the Russian Federation, but for other countries as well.

At the previous meetings I have already highlighted some aspects of the formation of the external debt in Russia which implies the indebtedness in all the sectors of Russian economy towards non-residents.

We have already informed our Government and Parliament of the excessive debt increase because there are serious reasons for our concern that was also confirmed by the manifestations of the world financial crisis and massive governmental help addressed to banks and the real sector companies to effect

payments on the external debt liabilities.

Russia is not an exception as other countries have also supported their banks and companies.

I would like to point out that our work was appreciated by the Government and the other state institutions that are interested in this issue.

According to the report of the Ministry of Finance addressed to the Government the Ministry shared the position of the Accounts Chamber concerning the necessity to improve external debt monitoring system.

Particularly they confirmed the necessity to create conditions for permanent monitoring in the field of external loans and for taking urgent measures if necessary. Besides, the Ministry confirmed the necessity both to fix the highest level of external debt and to define qualitative characteristics of the debt (types and aims of loans, terms and conditions of repayment, interest rates, availability of financial resources etc.).

The Ministry of Finance has also pointed out that today “within the current legislative system and the strategy aimed at liberalization of capital flow “controlled by the state bodies” there are no instruments of direct administrative regulation of qualitative and quantitative characteristics of all corporate loans”, meanwhile “to some extent it’s possible in case of banks and companies with state capital”.

Therefore the Ministry of Finance states that it’s necessary to introduce amendments to the existing federal laws including the Law on joint-stock companies, federal laws on state companies, the Government decree concerning management of state-owned shares in joint-stock companies and special right of the Government to take part in the management of these companies (“gold share”) and also to introduce amendments to the corporate internal documents.

Besides, this march Ministry of Finance informed the Accounts Chamber that in cooperation with Ministry of Economic Development and Bank of Russia it takes measures to organize monitoring and regulation of external debts of companies with state capital and companies that receive government support.

The drafts of some documents are already elaborated to be introduced to the Russian Government.

Thus, analyzing the above problems we can highlight the efficiency of the Russian Accounts Chamber as the Supreme Audit institution which is exercising the state financial control, though the situation is changing rather slowly.

The crisis has proved once again that the observance of some indicators of debt stability accepted in the world practice does not guarantee the absence of debt problems.

In several cases stress-tests hold in our country and some others before the crisis that were aimed at evaluating debt stability and banking system stability, showed the drawbacks of speculative impact and non-adequate assessment of possible consequences of the “financial bubbles”.

It's evident that we cannot fully provide debt stability without amendments to some principles of market functioning and without instruments that limit the possibility of speculative operations and minimize their risks.

I believe that these problems correspond with the researches within our Working Group.

Thanks a lot for your attention.